PART ONE:
INTRODUCTION

"Will Rhode Island, the smallest state in the union, have enough land to support itself in the 21st century?"

This question is posed in the beginning of the *Industrial Land Use Plan (ILUP),* an element of the State Guide Plan, and it is indeed a pressing issue for future economic growth in Rhode Island. ((1)) In a state with limited land resources, having enough land to support the economy and the growing workforce is a definite concern.

The *ILUP* sets forth goals and policies for the use and zoning of industrial land in Rhode Island for the next twenty years. Its policies promote efficient land use and zoning to help prevent tapping into "greenfields" (undeveloped, open space areas) which in many cases add to the quality of life in the state. However, the main goal of the *ILUP* is to keep enough land in industrial use to support the state's economy over the long term.

According to the employment forecasts of the *ILUP*, Rhode Island will be 1,006 acres short of the "prime" industrial acreage that will be needed in 2020 to sustain the economy. ((1:2.7)) If the state needs to find more industrial land to accommodate jobs in the future, where can the state go to obtain the acreage? One answer is to extend public water and sewer to industrial acreage that has not yet been developed because of an absence of infrastructure. Another is to stretch the resource by rehabilitating existing, fully serviced and built industrial properties for modern use.

One of the approaches the state has embraced is the redevelopment and reuse of old, vacant, or underutilized mill buildings. These buildings can be found throughout the state. Many of them date back to the 1800s. Since most vacant mills are located on land zoned industrial with access to utility service, they could provide great locations for future industry. What must be determined first is how much mill building space is available and whether there is truly a market for these buildings. If there is useful, marketable space in those buildings – whether for manufacturing or office use, even if tax incentives are necessary to make it so – then they can be legitimately offered as alternatives to greenfields development.

Rhode Island Mill Buildings in Their Historical Context

When Samuel Slater built his first mill in Pawtucket on the banks of the Blackstone River, he sparked an Industrial Revolution that would spread throughout the United States. All along the banks of rivers, mills began springing up to harness the power of the rivers and their transportation capabilities. In northern Rhode Island, the Blackstone River provided a prime location for these types of mills, from Woonsocket at the Massachusetts line down through

Pawtucket. Other rivers in Rhode Island also provided sites for mill buildings in areas like Providence, Warwick, Warren, Barrington and West Warwick. Not only could companies utilize the power provided by the running water of the river, they could use it to transport their goods by boat and barge. In a time without automobiles, highways, or electricity, these sites provided an ideal setup for industry.

These mill buildings were often large, multiple-floor brick structures reaching 4-5 stories in height. The rooms were made very spacious, with high ceilings and few partitions in order to provide ample room for the enormous machinery needed. Since electric lights were not available when many of these mill buildings were built, large windows were typically put in all around the building. These large windows were very good at letting in light but were also very bad at keeping in warmth in the winter, making the buildings very hard to heat.

Transportation was also very different at that time. Since all modes of transportation were slow, workers could not live far away from the mills where they worked. Therefore, most workers lived in houses very close to the mill buildings, with often little to no buffer between the industrial site and the homes of the workers. These houses were usually built by the company owning the mill and then rented out to the workers. This allowed them easy access to the mill; workers could just walk to work.

As the horse-and-carriage was still the main mode of commuting in those days, the roadways around these mills were very narrow. Mill neighborhoods thus developed as residential areas with narrow streets formed in very close proximity to the mills. Although this made sense in a time without automobiles and tractor trailers, it poses serious access and parking constraints. ((1:3.4))

Most of the transporting of goods from the mills in the early days was done using the river. Any transportation of goods on land was by horse-and-carriage. The loading docks for carriages did not have to be made very large. Today, however, the small, narrow loading areas typical of mill buildings pose an additional access problem for the dominant mode of transportation, tractor trailers.

The environmental impact of heavy industry and manufacturing were largely unknown and unappreciated when mill buildings were built. The buildings themselves were constructed using materials we now recognize as harmful, such as asbestos and lead paint. Many mills dumped toxic chemicals into the rivers and the ground routinely, causing industrial sites to become quite contaminated.

In their heyday, these mills were centers for industry in a time where heavy manufacturing and large factories were the base of the state economy. However, times have changed and our economy has become less dependent on large-scale manufacturing. Much of the heavy industry has moved overseas because of cheaper labor and land, leaving many mill buildings vacant. Over the years, abandoned mills have become run-down and dilapidated.

They have become magnets for vandals and mischievous youngsters, as well as fire hazards. In their present condition, many vacant mills are not much more than eyesores, taking up space and taking away from the value of the land around it. ((2))

The *ILUP* and other sources have suggested that mill buildings could be made economically useful again if they were redeveloped and reused for industry. Not only would this help preserve these historical buildings by putting them back in use, it would provide the state with more industrial land for the future by conserving that resource. For this reason, the state has a policy and programs to attract new industries and other companies to invest in these mill buildings, rehabilitate them, and occupy them.

Mill Buildings and Enterprise Zones

The state has taken steps toward getting vacant mills back into use. There is a program which offers tax incentives to businesses for occupying and reusing vacant mill space. This program is meant to attract industries to mill sites in spite of some of the constraints these sites present to modern industry. It also provides incentives to owners of vacant mill buildings for investing in rehabilitation for reuse.

This program is derived from the Rhode Island Mill Building and Economic Revitalization Act (Chapter 42-64.7, *Rhode Island General Laws*). Under this act, cities and towns can choose mill buildings with the most potential for redevelopment and present them to the state for certification. The mills must meet a certain set of requirements before they can be certified by the state. Once a mill has been certified, it becomes eligible for tax incentives. Owners of certified mill buildings are offered a tax credit equal to 10 percent of the cost of the substantial rehabilitation of the mill. "Substantial rehabilitation" represents a cost of at least 20 percent of the market value of the property. This tax credit is meant to get owners to spend the money to fix up the mill sites to make them more marketable.

This program also offers incentives to companies who occupy these certified mill buildings as a way to attract new businesses to the sites. Eligible businesses are offered a tax credit equal to 100 percent of the wages paid to new employees, with a maximum of $3,000 per new employee.

Finally, tax incentives are offered to banks for making loans that go toward the redevelopment and reuse of certified mill buildings. Banks are offered a tax credit equal to 100 percent of the interest on loans made solely for the purpose of substantial rehabilitation of a certified building. They are also offered a tax credit equal to 10 percent of the interest earned on loans to businesses settling in a certified mill building.

The legislation that enacted the mill building program is provided in this report as Appendix A. It includes a list of definitions and restrictions at § 42-64.7-4.

Another tax incentive program which works in conjunction with the mill building act is the enterprise zone program. This program was established by the Distressed Areas Economic Revitalization Act (Chapter 42-64.3, *Rhode Island General Laws*) with the intention of attracting businesses to neighborhoods that are "economically depressed" ((3)) and in need of new jobs. The state is responsible for designating areas as enterprise zones upon their nomination by local officials. Companies in an enterprise zone that meet employment criteria are eligible for state tax incentives. If they are located in a mill building certified under the mill building act, the company will also get a tax credit equal to 50 percent of the wages paid to new employees, with a maximum of $10,000 per new employee.

Inevitably the question arises whether these programs have been successful in achieving their purpose. The enterprise zone program can point to the number of new jobs in the zones since the program's inception as a measure of its performance. The mill building program has certified 23 mills in nine municipalities, but, unlike the enterprise zone program, the process is not an ongoing one. The cities and towns are limited by the number of properties that were certifiable under the present program and the deadline for nominating them (which passed on December 1, 2000). The mill building program is for all intents and purposes "fully subscribed" though many buildings remain out of it.

The recent revision of the *ILUP* has offered the opportunity to evaluate the mill building program to determine whether it has really helped and whether more effort should be put into it. The *ILUP* has proposed an "Urban Land Assembly Program" to reach out to owners of industrial properties who did not qualify for benefits under the mill building act. ((1:6.4)) These would include mill building owners whose properties, for one reason or another, did not receive the necessary certification. Alternatively, the state could simply expand the existing mill building program to allow additional mills to qualify.

Historic Preservation As an Incentive

In addition, there are tax incentives available from the federal government that can play an important role in mill building reuse. These incentives are keyed to the preservation of historic buildings and are administered by the National Park Service (NPS), in partnership with the Internal Revenue Service and State Historic Preservation Officers. Besides achieving the obvious aesthetic benefit of converting eyesores into pleasant looking, functional buildings, these tax incentives can lure new private investment to economically distressed areas, generate jobs, enhance property values, and get abandoned industrial and commercial properties – such as vacant mill buildings – back on the tax rolls.

Current incentives, as provided by Internal Revenue Code Section 47, include a 20-percent tax credit for the certified rehabilitation of certified historic structures and a 10-percent tax credit for rehabilitating non-historic, non-residential buildings built before 1936. The two credits are mutually exclusive: only one applies to a given project. Which credit applies depends on the building, not the owner's preference. ((17))

Under the terms of this program, a "certified historic structure" is a building listed individually in the National Register of Historic Places, or located in a registered historic district and certified by the NPS as contributing to the historic significance of that district. A "certified rehabilitation" is one approved by the NPS as consistent with the historic character of the property and, where applicable, with the district in which it is located. While some alteration is permitted to provide for efficient use, the project must not damage, destroy, or cover materials or features, whether interior or exterior, that help define the building's historic character. ((17)), ((18))

While buildings listed in the National Register of Historic Places may be eligible for the 20-percent credit as "certified historic structures," they are not eligible for the 10-percent, "non-historic" credit. They may include residential uses, whereas structures eligible for the 10-percent credit must be non-residential. There is no formal review for the rehab of "non-historic" structures. ((17))

The NPS has claimed that "[t]hrough this program, abandoned or underused schools, warehouses, factories, churches, retail stores, apartments, hotels, houses, and offices throughout the country have been restored to life in a manner that maintains their historic character." Long-term economic benefits result from the requirement that the rehabbed property be *depreciable*, i.e., "used in a trade or business or held for the production of income. It may not serve exclusively as the owner's private residence." ((17))

Preservation is also fostered in Rhode Island through the State Register of Historic Places and the Historic Preservation Loan Fund Program. Loan money may be used for needed restoration work, or for acquiring and rehabilitating an "endangered" historic property, in line with federal *Standards for Rehabilitation*. To be eligible, a property must be listed in the State Register of Historic Places, either individually or as a significant part of a historic district. The loan must not exceed 75 percent of the after-rehabilitation appraisal, to a maximum of $200,000. Information about eligible properties and variable loan rates is available from the R.I. Historic Preservation and Heritage Commission. ((18))

The implications for mill buildings are obvious and have been exploited in Rhode Island. Two case studies are presented in Appendix D: one a strictly industrial redevelopment, the other mixed use.

In sum, all public-sector assistance requires a strategy based on the existing situation and common sense. It is important to look at the remaining mill space and determine whether there is a sufficient amount of useful vacant space to warrant application, expansion, or revision of preservation and reuse programs. The state must also determine whether there is a real market for mill buildings and whether it is feasible to get companies and/or developers to invest the money necessary to bring these mills back into full-time industrial use. This includes use for manufacturing, for service industries, or for office space.

PART TWO:
METHODOLOGY

To find out the condition of and the market for vacant mill buildings in Rhode Island, it is important to go out and talk to "those in the trenches" – the people actually dealing with these mills and trying to get them back in use. These include town planners, real estate agents, and mill owners. They not only know a good deal about the mill building situation, but can give recommendations about future actions to take to deal with it. For state policymakers essentially removed from real estate activity in places as widely separated as Burrillville and Warren, it is often hard to estimate the extent of the resource or its marketability. It is also important to get a look at some of these mill sites personally to make an assessment of redevelopment potential.

Public Sector Contacts

In the public sector, it appeared that the best people to talk to are town or city planners because of their familiarity with mill buildings in their particular area. Making generalizations about the mill situation statewide without their input may be misleading, because the mill situation varies throughout the state. Planners regularly deal with mill buildings in their municipalities and help make and approve plans for redeveloping them. They can give accurate information about the amount of mill space locally and the condition of the mills. From their experiences, they can be the source of good recommendations to policymakers about the state's rehab and reuse program. They can also give their perspectives on the market for mill space.

For this report, town planners from different areas of the state were interviewed, as well as other public officials who have dealt directly with the redevelopment of vacant mills and with state mill building program. Many town planning or economic development officials from northern Rhode Island were interviewed: Lori Adamo from Woonsocket, Katia Balassiano from Burrillville, Michael Cassidy from Pawtucket, and Merrick Cook from Central Falls. Scott Gibbs from New England Economic Development Services, Inc., was also interviewed because he deals with industrial properties in northern Rhode Island and also because he helped draft the legislation establishing the mill building program. Other local planning officials interviewed included Alan Crisman from Bristol County, Marc Jaffee from West Warwick, and Tomar Waldman from Providence.

Victor Barros from the Rhode Island Economic Development Corporation (EDC) was interviewed because of his involvement as coordinator of the state's enterprise zone and mill building programs. Janet White, from the Greater Providence Chamber of Commerce, was interviewed about the market for mill space in the Providence area. Finally, Kathleen Crawley from the Statewide Planning Program was interviewed about mill buildings in Woonsocket because she formerly worked there and could give a good assessment of the resource.

James F. Moran, from the East Providence planning department, was also helpful in providing information about mills in his city.

Private Sector Contacts

Along with public officials, it is important to hear from the private sector. State planners and legislators must get a perspective on mill buildings from the people who are actually investing their money into them. Specifically, the private sector can provide an overview of the present market for industrial property in Rhode Island and advise whether companies are actually interested in mill buildings. Before putting additional effort towards redevelopment of mill buildings, it is important to know whether it is realistically possible to get new investors interested.

Real estate brokers are a good place to start when assessing the market. Since they deal with commercial and industrial clients, they know a good deal about what kinds of companies are interested in mills. They also know what reservations they have regarding the limitations of mill buildings, such as problems with access or floor plan. Brokers can give a very practical analysis based on supply and demand. From their experience, they can also provide recommendations to the state on how to help improve the market for mill buildings – through tax incentives, for example.

Mill owners can also provide good information about the market for mill buildings. Owners negotiate terms with companies that are thinking about moving into their mill space, and can give their opinions on how easy or hard it is to find tenants willing to locate there. Like brokers, they can draw from their experiences to suggest how the marketability of mill sites can be improved.

For this report, an industrial real estate broker and two mill owners were interviewed. Larry Steingold, a broker with C. B. Richard Ellis, was the first private sector contact interviewed. He provided two other contacts, both of whom were mill owners: Phil O'Brien, owner of Phillipsdale Landing in East Providence, and Jim Schwartz, owner of Cadillac Mills in Cumberland.

Questions to Answer

In talking with these contacts in both the public and private sector, the following questions were answered:

1) How much mill space is still available?

Before the state supports any more legislation to promote the redevelopment of mill buildings, it needs to find out whether there is still enough vacant space within them to support

industrial use (as broadly defined in the *ILUP* as manufacturing and non-manufacturing uses that typically occupy industrial-zoned land).[1] If all of the viable mill buildings have already been brought back into use and the market will not support more, there is no point in putting a large effort into redeveloping mill sites for future industry. Other uses could be found, perhaps, or the existing, unattractive buildings demolished to free the space for new industrial development.

2) In what condition is the vacant mill space?

It is important to know the condition the vacant mill space is in to know if redevelopment is worth the trouble. If the mill in question is in bad shape, perhaps demolition would be the best means of reusing the land for industrial purposes.

3) Are mill buildings still conducive to industry?

Considering the physical constraints based on the historical location and setup of the buildings, the state needs to know whether the vacant mills are still suited to today's industry. If not, perhaps the mills would be better put to other, non-industrial uses – or demolished, as discussed above. On the other hand, if infrastructure upgrades can enhance a mill's marketability, that could be considered as well.

4) Are developers and private companies still interested in mill buildings?

The state also needs to know if there is a market for mill buildings as fully serviced, historic structures "with character." It is important to find out if people are willing to invest in mill space for manufacturing or other industrial use (such as "Class D" office space) before the public sector provides incentives for redevelopment. This includes finding out what concerns people have about investing in mills, many of them connected with other government initiatives – building codes, improvements required under the Americans with Disabilities Act (ADA), and occupational safety.

5) Should the state continue its policy of promoting the reuse and redevelopment of mill buildings? If so, how can this policy be better implemented?

If the answer is yes to the first question – one of the major propositions of the *ILUP* – then it becomes a matter of what the next step should be. Recommendations from both the public and private sectors can be used to determine what the state should do to improve its standing mill building program.

[1] According to the *ILUP,* these industries include construction, manufacturing, transportation, communication, utilities, wholesale trade, finance/insurance/real estate (FIRE), and services. Employment in some of these industries is expected to be sited solely on industrial land, e.g., manufacturing or utilities; in others, some portion of employment may be located on land zoned for non-industrial uses, e.g. FIRE or services.

During the interviews, these questions led to other, more detailed questions which dug deeper into the mill situation of individual cities and towns. The interviews provided a good opportunity for the interviewees to relay other things relevant to their experiences with mill buildings. This information proved very important to this report.

In Appendix B of this report we provide the full list of questions asked the various types of interviewee: the prospective mill building tenant, the private sector developer, the real estate representative, the mill owner, the city or town planner, and the state program manager.

PART THREE:
MILL BUILDING SPACE IN RHODE ISLAND

The highest concentration of mill buildings appeared to be in northern Rhode Island, especially in the Blackstone Valley area. The cities of Pawtucket and Woonsocket in particular have a large amount of mill space. Providence also has quite a few mill buildings dispersed throughout the city. In Bristol County, there are some large mill buildings in Warren and Bristol. Kent County also has some mills, with the largest concentrations in Warwick and West Warwick. In South (Washington) County, there are only a few mill buildings and these are dispersed throughout the region. Within the few mills in South County most space is already in use.

The mill situation does not only vary from town to town but also from site to site. Within a single city, the condition of mills often covers a wide range. Mill buildings in the cities and towns surveyed vary from prime locations that would be appropriate for reuse to veritable junkyards that should be demolished. The market situation also differs for different sites and for different areas of the state.

Northern Rhode Island

With the highest concentration of mill buildings in the state, northern Rhode Island claims approximately 10,000,000 sq. ft. of mill space. The mill sites vary greatly, from small, single-story buildings to large complexes with many buildings. These mills are found throughout the area, but the higher concentrations (approximately 50-70 percent) are along the Blackstone River, in communities such as Woonsocket, Lincoln, and Pawtucket. ((2))

Transportation access to the mills varies, but for the most part it is not very good. Pawtucket appears to have the best transportation access because an interstate highway, Route I-95, runs right through the middle of the city. Woonsocket also has reasonable access to highways. However, access from individual sites may be difficult, mostly because the mills located there were built in a time when highway access was not an issue. ((2)) Many sites abut railroad tracks, but rail transportation is either unavailable or inappropriate for moving the goods or services currently produced there.

Most of the mills in northern Rhode Island have all the basic infrastructure, including water, sewer, and even natural gas. Utilities such as electricity and telephone are available or accessible everywhere. At this writing none of the mills have been wired with the infrastructure of the "New Economy" – fiber optics for telecommunications and Internet access – but there is a definite possibility they will be as networks expand throughout the region. ((2)) This is an

issue whenever reuse strategies include marketing them to companies relying on computer-aided design or electronic commerce.

In the past few years, there has been a good amount of mill space in northern Rhode Island being reoccupied for various industrial uses. Availability and price have been factors. However, the space that has been taken is mostly first floor space, because it is easier to move goods in and out of a building when a business is located on the first floor. ((2)) This is why industries today, generally speaking, prefer single-story buildings with a horizontal setup and a large area. In contrast, most mill buildings are set up vertically, with multiple floors. For this reason, much of the first floor mill space has already been rented out, while upper floors have remained vacant. ((3))

In spite of this reuse, however, there has not been any significant rehabilitation or redevelopment of many of these buildings. Companies that have moved in to old mills have done so with only slight improvements to the buildings. The mill space in northern Rhode Island can still be characterized as underutilized with a lot of upper floor space available. ((2))

Burrillville

In Burrillville, some of the mill buildings have already been brought back to industrial use. A few others have unfortunately been destroyed by fire, and these sites still need to be cleared of rubble. However, there is still one vacant site that still has a good chance for redevelopment: the Stillwater Mill Complex, located in Harrisville. The town has the most hope for this site and is putting most of its effort into it. ((4))

The Stillwater Mill Complex is about 12 acres in size and includes eight mill buildings. Most of the buildings already have access to utilities. Those that do not can be hooked up fairly easily. Some buildings have older infrastructure where the sewer empties into the river behind the complex. However, this can be brought up to modern standards with some redevelopment. ((4))

There is not very good transportation access to the Stillwater Mill Complex. Mostly rural routes lead to the site, and these are winding roads that would make it difficult for tractor trailers to get to the mill. However, there are not many on-site constraints to industrial reuse. There is sufficient parking space and even some open areas that could be converted to more parking space. ((4))

Although the inside structure of most of the buildings is sound, the exterior and the surrounding areas are very shabby. The buildings are run-down and some have broken windows. Vegetation is growing rampant in the parking lot and around the buildings themselves. The parking lot and open area has become a dump. The area is covered with

Exhibit 1: Stillwater Mill Complex in Burrillville

trash, wood and metal waste, abandoned cars, old tires, barrels, and other large metal items.

The Stillwater complex used to be a textile mill and now is a typical "brownfield" with possible environmental contamination. This contamination could include old fuel storage tanks underground, asbestos and lead within the building, and the residue of harmful dyes dumped into the ground and river. Before the Stillwater site can be used to its full potential, the extent of this contamination will have to be assessed and cleanup implemented. ((4))

At present the Stillwater complex is under partial use, but it is only a small part that is being used. The Levi Foundation has committed $40,000 to the town to date for redeveloping the complex, and developers have been brought in to suggest plans. The town hopes to reuse the complex for light manufacturing mixed with commercial use. If this is not possible, assisted living for the elderly or community health care services are other options.[2] In any case, the town hopes to preserve the complex. Mill buildings have a tremendous historic value in the Town of Burrillville and preservation is important. ((4))

The Stillwater complex has been certified under the state's mill building program, and can benefit from the tax incentives derived from such status. The town is also seeking financial assistance from the U.S. Economic Development Administration (EDA) for renovation. The project is listed as a priority in the Rhode Island Comprehensive Economic Development Strategy, a listing considered a prerequisite for EDA funding.

Central Falls

In Central Falls, local officials consider only one mill building as having high potential for redevelopment: the Central Braid Building. This is partially due to the small size of the town (one square mile, approximately), and the fact that most of the mill space is already in use. ((5))

The Central Braid Building is a three-story structure with dimensions of 200 feet by 50 feet. The building has all the basic infrastructure and utilities. It also has good transportation access; it is on the R.I. Public Transit Authority (RIPTA) bus line, and I-95 is only a mile and a half away. A building near the site has been cleared as well as other space to provide adequate parking. All contamination in the site has been cleaned up and the site is now environmentally safe, though not renovated. There are also plans

[2] Health services are now the #1 service industry in Rhode Island.

Exhibit 2: Central Braid Building in Central Falls

to re-roof the building and add insulation and new windows to make the building more energy efficient. ((5))

At present the city is encouraging the mill's redevelopment, and has welcomed developers to come in and look at it. It is located right on the banks of the Blackstone River, and the site is presently being used as a landing dock for Blackstone River boat tours. The city is hoping to renovate the mill and use it as a commercial/tourism center to work in conjunction with the boat tours. ((5)) Toward that end Central Falls, like Burrillville, is pursuing financial assistance from the U.S. Economic Development Administration. This project is also listed in the Comprehensive Economic Development Strategy as a priority.

While the Central Braid Building has not been certified under Rhode Island's mill building program, it is located in a state enterprise zone, which should enhance the site's marketability.

Pawtucket

Of all the cities and towns in northern Rhode Island, Pawtucket has the highest concentration of prime mill sites. There are over 75 mill sites in Pawtucket, with approximately 150 mill buildings and roughly 3-4 million sq. ft. of space. Most of the mill buildings are already totally occupied. The partially occupied mills usually have their upper floors vacant or underutilized, as first floor space is most in demand. ((6))

Only a few totally vacant mill buildings are left in Pawtucket. Most of the mills are used for some form of industry, and only a few have been converted to residential use. Some mills are presently in use as office space. ((6))

There is usually poor access to the mill buildings for tractor trailers due to their being surrounded by residential areas with narrow streets. While acceptable for horse-drawn wagons, the lack of maneuvering room for large trucks makes it difficult to get to loading docks, which are sometimes right on a street. This is likely to cause the street to get blocked when the trailers are loading or unloading, making access to the street itself difficult for everyone. However, there is very good highway access to I-95. ((6))

All the mills in Pawtucket have basic infrastructure but some of the vacant mills need their utilities updated and repaired. As for telecommunications, Pawtucket has recently been wired for the Internet by the installation of T-1 lines throughout the city. Therefore, theoretically any building could be hooked up to one of the T-1 lines for Internet capability. ((6))

Exhibit 3: Mill Buildings in Pawtucket

Exhibit 3 ***(continued)***

The main physical constraint found at most of the mill sites is lack of parking. This is due to historical context: back when many of the mills were built, cars were either not available or not popular modes of transportation, so parking lots were not needed. Another constraint is the multiple floor setup of many of these mills. Since most companies prefer first-floor space, it is difficult to get the upper floors occupied and efficiently utilized. ((6))

Some of the vacant mill sites in Pawtucket are contaminated and need to be cleaned up. The contamination mostly consists of old, underground tanks of oil that may be leaking into the ground. However, there have apparently been significant strides made in remediation, and environmental contamination is no longer believed to be a big problem in Pawtucket. Energy efficiency in the mills varies from site to site, with different styles of windows, building configurations, heating, ventilation, and air conditioning systems, and amounts of insulation. ((6))

The City of Pawtucket has three mill buildings certified for participation in the state's rehab/reuse program: Carol Cable, 301-341 Roosevelt Ave.; the Rhode Island Cardboard Co., 161 Exchange St.; and Conrad Manufacturing, 225 Conant St. ((15))

Woonsocket

Like Pawtucket, Woonsocket has quite a bit of mill building space. In fact, most of the industrial zoned land in Woonsocket is mill building land. There are about 70 mills in Woonsocket, with a total area of 3,323,695 sq. ft. Of this area, only 210,000 sq. ft. are vacant, and only five mills are totally vacant. The biggest problem tends to be underutilization since many mills are only partially occupied, with mostly upper floors vacant. However, as the figures so plainly indicate, much of the mill space in Woonsocket (about 94 percent) is already in use. ((3,7))

There is fairly good highway access to the mill buildings in Woonsocket. However, as in Pawtucket, some mills are surrounded by residential areas with narrow streets that pose problems for tractor trailers. Other constraints vary from site to site, although for the most part parking is not a problem. As elsewhere, the major constraint tends to be the multiple-story setup of many mill buildings. Since upper floors are harder to lease, this leads to underutilization. ((3))

Many mills also have railway access. However, rail service to most sites has been discontinued. ((7)) Most goods transport is done by tractor trailer rather than by trains.

All of the mills in Woonsocket have access to basic utilities such as electricity. However, not all the mills have connections to public water and sewer. Those that are not presently connected do have the ability to be connected. ((3))

Some of the mill sites in Woonsocket have environmental contamination. This contamination consists mostly of asbestos within buildings, oil tanks underground, and possible chemical ground contamination. ((3))

Woonsocket really "runs the gamut" ((7)) in terms of mill building use. Some of mills are still in industrial use, while others have been converted to residences. Still other mill buildings are used for warehouse or storage space, while others are underutilized or have an "on-and-off" usage. Some buildings have already been demolished, while others have been burned down. ((7))

Woonsocket had originally received state certification for three mill properties to participate in the rehab/reuse program: the former Rosecraft Building, 685 Social St.; Narragansett Knitting Mills, 148 Bernon St.; and the Kornstein/Harris Mill, 55 Main St. ((15)) In February 2000, the city requested replacement of Narragansett Knitting Mills with the Harris Warehouse, a mill dating back to 1840, located at 61 Railroad St. The change was approved. Both the Harris Warehouse and the Kornstein/Harris Mill are in an enterprise zone.

Providence

Providence has many mill buildings, well dispersed throughout the city. There is still a good amount of vacant mill space left in the city, even though there has been some redevelopment for office use.

For the most part, the mills in Providence have good transportation access. The mills also have access to all basic infrastructure and basic utilities. The main physical constraint is lack of parking space, just as it is in other communities with mills built at a time when parking space was not needed.

Some of the mill sites in Providence do have environmental contamination that needs to be remediated. As in other cities and towns, the contamination usually includes underground oil tanks and possible asbestos and lead inside the buildings. Rehabilitation should include making the buildings more energy efficient by adding insulation and new windows. Updating lighting with new, energy-conserving fixtures can be assisted through a program from Narragansett Electric, the local utility. ((8))

The city's planning staff has confidence in the marketability of former mill sites for business incubators, office space, manufacturing, and telecommunications firms. They point to successful attempts in the past to redevelop some of these sites for industrial and retail uses. Some redevelopment has occurred at its own pace; city officials have not been targeting a particular business or industry to occupy the buildings, nor does there seem to be a trend for any one particular business or industry to do so. Types of reuse have varied. The potential for their reuse by "dot com" companies could be enhanced by an extension of fiber optic networks, which the city considers a "definite possibility." ((8))

The R.I. Economic Development Corporation has nominated one site in Providence, the Rau Fastener Co. building on Westfield St., for its Smart Building Initiative – an innovative reuse program supported by federal funds to create modern, networked, energy-efficient work environments in older buildings. The proximity of these buildings to the large pool of qualified workers found in Providence and the surrounding communities is a strong asset.

The city has six buildings certified for participation in the state's mill building program: A. T. Wall Co., 162 Clifford St.; the Brown & Sharpe Foundry Building 4, 235 Promenade St.; Loutit Dry Cleaners, 93 Cranston St.; the Phoenix Iron Foundry Machine Shop, 115 Elm St.; the Silver Spring Bleaching & Dyeing Co., 387 Charles St.; and the aforementioned Rau Fastener Co. and Cook Dunbar Smith Co., 102 Westfield St. ((15)) All are located within enterprise zones.

Bristol County (Warren and Bristol)

In Bristol County, the total mill building area accounts for approximately 750,000 sq. ft. About 500,000 sq. ft. are vacant. The vacant space is mostly found in two large mills: the American Tourister Building in Warren, and Miner-Fulflex in Bristol. Both of these sites have fairly good highway access. However, even though the roads leading to the mills are designated state highways, they become smaller, narrower streets as they wind their way through town, making it somewhat difficult for tractor trailers to get through. ((9))

The American Tourister Building was in full use up until the late 1980s, and is still in good shape with all the basic utilities and infrastructure. ((9)) It is a very large, three-story building, with a warehouse in the back that has several loading docks for tractor trailers. The parking lot is adequate by modern standards and there is plenty of room for trailers to get to the loading docks. The building is now being partially used for warehousing and some retail. Mostly first and second floor space is being used. However, there is still a good amount of vacant space available on all floors.

In contrast, the Miner-Fulflex Building in Bristol is totally vacant and in very bad shape. It needs tremendous improvement and upgrading in utilities to bring it up to standard. However, it does have access to basic infrastructure. ((9))

Both sites have been declared brownfields, with demonstrated environmental contamination. The American Tourister site has already been cleared for remediation and cleanup of the site is being planned. The Bristol mill site is being assessed for the level of

Exhibit 4: American Tourister Building in Warren

contamination. In both cases, the contamination is not too serious, consisting mainly of chemicals in the ground. At present all the contamination is contained and does not appear to pose a threat to the surrounding environment. ((9))

American Tourister is located at 91 Main St., Warren, and is one of two mill properties certified for the state's rehab/reuse program. The second is the Warren Chair Works Building at 79 Joyce St. Bristol also has two buildings certified for the program: the Kaiser Mill Complex, 530 Wood St., and the Buttonwood Realty Building, Buttonwood St. ((15)) Miner-Fulflex is not included in the program. The certified mill buildings are located in enterprise zones.

West Warwick

In West Warwick there is also a substantial amount of mill space. Estimates of mill building land run as high as 50 acres in total, or 2,178,000 sq. ft. Most of the mill buildings are at least partially occupied. Some mills are still totally vacant, but not many. Other mills have been damaged or partially destroyed by fires and are mostly rubble now. ((10))

The mills in West Warwick do not have good highway access, which might make it difficult for workers to commute from outside of town. The mills do, however, have all basic infrastructure and utilities. West Warwick also has a plan to wire the city for the Internet to enhance telecommunications capabilities, which would definitely make the mill sites more marketable. The main physical constraint at these sites is the lack of parking already mentioned in other communities. Parking is so very limited that some companies thinking of moving in would demolish buildings or parts of buildings to make more parking space. ((10))

The occupied mill space in West Warwick is being used for various operations. However, most of the space is being used for manufacturing and office space. Some mill buildings are being used for warehouse and storage space. Almost no mill space is presently being used for retail. ((10))

Among the vacant mill space is the Royal Mill. The building is completely vacant, and the town is working with developers to have the site put back into use. However, there appears to be significant contamination at the site. It has taken a long time to assess the extent of contamination and to make the necessary plans to remediate it. The biggest problem is financing the cleanup. ((10))

Environmental contamination is definitely a problem in West Warwick mill buildings. At the Royal Mill, the contamination consists of underground oil tanks, lead paint, asbestos, and PCBs from old electric equipment. Many times, the redevelopment of a mill was postponed due to lack of funds for cleanup. ((10))

West Warwick has three mill buildings certified by the state's rehab/reuse program: the Royal Mill and Ace Dye Building, 125 and 186 Providence St.; Phenix Mill, 770-771 Main St.; and Crompton Mill, 55 Main St. All are within West Warwick's enterprise zone.

Conclusions

When looking at mill buildings around the state, it appears the biggest problem is underutilization of space. Other major concerns are environmental contamination, transportation access, and lack of parking. In spite of these concerns, however, it appears that much of the vacant mill space still has good potential for redevelopment. Most of the mills have all basic infrastructure and basic utilities or have access to them, needing merely to be reconnected.

The question is whether that potential can be realized. Is there still a market for mill space, and are companies still willing to invest and locate in these sites, or have we reached the saturation point?

PART FOUR:
THE MILL BUILDING MARKET

The market for mill sites depends on many factors that differ for different mills, meaning that it varies not only from city to city but from site to site. In general, however, in a strong economy, the market for mill space is strong. This market is also wide open to a variety of industries and other uses, including light manufacturing, office space, warehousing, retail, residential, and assisted living for the elderly. There are many possibilities for reusing the mill building resource. ((2))

On the basis of the *Industrial Land Use Plan*, the ideal option for redevelopment of mill buildings is industrial use. However, for some mills, other uses such as commercial or residential might be more practical or useful *in specific circumstances*. For local economic development practitioners, the main goal may be to get vacant mill sites back on the tax rolls, with any redevelopment (even if rezoning is necessary) being better than leaving them vacant and a target for vandals. Encroaching non-industrial uses or poor transportation access may direct redevelopment toward the commercial or residential.

In spite of these pressures in the real estate market, there is ample anecdotal evidence of businesses interested in locating in Rhode Island but facing a shortage of "new," fully-serviced industrial space.[3] Redeveloping vacant or underutilized mills to provide industrial settings that are already serviced or with easy access to utilities should allow more companies to locate in the state, with the added benefit of redirecting economic development to central business districts and away from "greenfields." If that is to remain a goal for both state and local officials, they need to know what kinds of companies are interested in the mill space that remains vacant – if, in fact, there is any interest at all. ((2, 11))

Industrial (Predominantly Manufacturing) Market

Much of Rhode Island's heavy industry has moved overseas because of lower costs and cheaper labor there. However, there is still a good market for industrial properties, mostly for light manufacturing and warehousing. In some locations, the market is *very* good. For example, one mill owner with multiple tenants in Cumberland has one tenant moving out and offers from companies wanting to move into their space. ((12))

[3] Developers now talk about a "fourth utility" in addition to electricity, heat, and water for a fully serviced site: Internet access. Efforts to recruit new industry to Rhode Island from, for example, the Boston area have been limited by failure to be able to provide this amenity within available industrial space. The Economic Development Corporation's Smart Building Initiative is attempting to address that limitation in part by "wiring" mill buildings. The City of Providence is widely viewed as the best place to start.

Elsewhere, however, industries do not seem willing to risk investing money in mill buildings, regardless of the apparent availability of space. At present, there are quite a few liabilities surrounding such investment, including environmental contamination (real or perceived) and physical or locational constraints such as a lack of parking and good access. The R.I. Department of Environmental Management's brownfields remediation program addresses contamination and the responsibility for cleanup, but cannot mitigate access problems. Similarly, the rehab and reuse program established by the Rhode Island Mill Building and Economic Revitalization Act can encourage the renovation of mill buildings and their reuse for commercial or industrial purposes, but cannot address underutilization when tenants prefer first-floor space.

Considering these limitations, tax incentives contained in the present legislation are not enough *on their own* to get companies to locate in mills. The incentives are definitely a plus for companies interested in mill space, but they are probably not enough to convince industry to reoccupy mill buildings if other options are available. ((2, 11, 12, 13))

The cost of rehabilitation of mill buildings is a concern to private developers. For some mills, the cost of rehabilitation would cost more than it would simply to demolish the building and build a brand new facility. The tax incentives presently offered only give back a fraction of the cost of rehabilitation back to developers.[4] According to several developers interviewed for this report, more or larger incentives would need to be offered mill building owners for renovation to be cost-competitive with demolition. ((2, 9, 12, 13))

Residential Market

The strongest market for mill space in the future will probably be in residential and assisted living use. Over the past few years, the most significant redevelopment of mill building space, especially in northern Rhode Island, has been for residential use. It seems that this trend will continue. Over the next 50 years, the elderly population in Rhode Island is expected to grow rapidly and the state is going to need space to accommodate this population of senior citizens. For this reason, some mill space could be made very useful if it were put toward assisted living for the elderly. ((2, 11))

On the other hand, many mills may not be conducive to residential use. There are stricter building codes for residential buildings. Moreover, brownfields remediation programs are designed to reflect the ultimate reuse of industrial or formerly industrial properties, and the standards for residential reuse are considerably more stringent than for industrial reuse. Concerns about environmental contamination thus become magnified when assisted living or other residences are contemplated, along with the cost of cleanup and renovation.

[4] Owners of certified mill buildings can claim a specialized investment tax credit equal to 10 percent of the cost of a "substantial" rehab. Lenders, however, are entitled to a credit equal to 100 percent of the interest on loans made for the rehab, up to $20,000 per taxable year.

Another disincentive to redeveloping mill buildings as residences is that there are no tax credits offered under the rehab/reuse program for residential reuse. ((11, 13)) The credits offered are exclusively for commercial or industrial reuse, with the clear preference in the *Industrial Land Use Plan* for industrial use. The latter may be an important factor if financial assistance is sought for a mill building project: conformance to the *ILUP* is required if the source of financial assistance is the state, e.g., the Economic Development Corporation.

Offices, Commercial/Retail, and Other Uses

There are other possible uses for mill space than as manufacturing facilities or residences. One of these, which has been fairly successful, is providing office space. There is a very high demand for office space, especially in the downtown Providence area. Much of the mill space there and in other downtown areas has already been converted to office space and occupied, leading to a very tight market. ((12))

Commercial and retail present other opportunities. There has already been some redevelopment along these lines that has been fairly successful. While there does not appear to be a high demand for mill space for commercial or retail use, such use is always a possibility for vacant mills. In some cases, it may be a very practical option ((7, 9)) – for example, using an old mill for outlet stores.

Finally, there are less commercially-oriented uses that are possibilities for mill space, especially for upper-floor space. Since upper-floor space is hard to occupy, it could be put towards artist lofts, where artists could live, work, and display their work. Upper floors could also be used for other artistic uses, such as dramatic or musical performance space as well as dance studios. The large, brick-walled rooms have a certain charm that is attractive to artists and dancers and the space may lend itself nicely for their purposes. ((14))

Rhode Island Has Its Advantages

1) Mill space is cheap.

Mill building space usually goes for $0.75-$2.75 per square foot. Upper-floor space sometimes goes for less than that. This is much cheaper than rental space in newer buildings. ((2))

The location of a mill building may bring with it other economies. Mills typically are on or quite close to public transit lines, giving commuters an alternative to the automobile. Mill dams offer the opportunity for small-scale hydropower generation, possibly lowering the cost of electricity significantly. Location on a river could provide a ready source of water for non-potable, process uses in manufacturing. ((19))

2) The workforce in Rhode Island is a strong asset.

The quality of the workforce and its productivity are judged by many to be higher in this part of the country than in other places. Even in industries where skills are low, the work ethic is strong and the workforce loyal. Some industries that moved South looking to lower production costs have not found these qualities there. Some were even forced to come back to this area for the high caliber of its workforce. ((6))

Many of the factors that distinguish Boston as a hub of the New Economy are also found in the greater Providence area. Professional people are drawn to the area by its quality of life, colleges and universities, and cultural aspects. Companies can draw upon this attraction for recruiting professional staff, as well for finding new clients and customers.

3) The "business climate" has improved recognizably.

Rhode Island now boasts some of the most progressive legislation and innovative programs committed to economic development in the nation. These include specially targeted tax incentives for urban redevelopment (of which the mill building program is a part) and research and development, the Slater Fund to promote new technologies, and local comprehensive planning to ensure consistency between development and natural resource protection. All of these contribute to an improvement in the business climate, making this area more attractive for companies. ((6)) Coupled with good impressions of the quality of life in Rhode Island, access to a quality workforce, and low rents compared to Boston, this is a powerful inducement.

Concerns about Mill Buildings

1) Rehabilitation is expensive.

As mentioned before, the cost of rehabilitating a mill building can be prohibitive. Developers want to be sure the capital they generate from reusing the mill will be more than the capital they invest into renovating it. ((2, 11, 12, 13))

2) Environmental contamination can be a "deal breaker."

The cost of mitigating contamination at mill sites can also be prohibitive. Many companies do not want the bother of having to clean up the site before they can redevelop it. Banks see contamination as a liability and may be unwilling to provide loans to redevelop mill buildings. ((2, 11, 13)) If they foreclose on the property because the developer defaults on a loan, they will become responsible for the cleanup.

3) Physical constraints and the condition of the mill can also be problems.

This includes a wide variety of concerns such as parking space, transportation access, loading docks, and floor loads (the amount of weight a floor can hold without caving in). These are all things that a company must consider before it decides to invest in a mill building. ((13))

4) The safety of surrounding area may be an issue.

Companies want to be able to assure their employees work in a safe environment. This includes security in the neighborhood around the workplace. This is especially a concern in urban areas. ((2)) Mill buildings typically are situated in older, often rundown neighborhoods.

The surrounding area notwithstanding, safety concerns may arise from the property itself. Old mills can be horrific fire hazards from years of chemical and petroleum storage and use, and seepage into walls, wooden floors, and soils. ((19))

These four issues are the main concerns that developers of mill building space and prospective tenants may have. There may also be other concerns depending on the type of company involved. For example, a firm with a strong emphasis on electronic commerce will be interested in a building wired for Internet access (a "smart" building). A mill building dating back to the turn of the last century would, of course, lack such access.

This is not to say that the problems described above are insoluble. Internet access can be provided by extending the fiber optic network, a strategy has been successful in getting mills back into use in the Worcester, Mass., area. Rhode Island communities have also recognized the importance of telecommunications as a business tool and are ramping up accordingly. Other issues can be addressed through a specific strategy, as Rhode Island is attempting to do with the mill building rehab/reuse program, brownfields remediation programs, and the enterprise zone program. The R.I. Economic Development Corporation recently announced a Brownfields Cleanup Revolving Loan Fund capitalized by a $200,000 grant, and its pursuit of a grant from the U.S. Economic Development Administration to help capitalize a Smart Building Initiative. ((16))

Mill Building Market in Individual Cities

Although the general market analysis applies to most areas of Rhode Island, there are some differences in the mill market on the local level. It is helpful to look into the market situation in the communities with the highest concentrations of mill buildings.

In Pawtucket, the industrial real estate market has been very good to mill buildings, with most put towards industrial use. Much mill building redevelopment has occurred within the last few years. This is partly due to the enterprise zone program, which local officials judge very successful in Pawtucket, the good economy in general, and the improved business climate. Much of the city's mill space, especially first-floor space, has been occupied. For the remaining

mill space, the city hopes to attract more industrial use. However, of the remaining vacant mills, the city concedes that half probably lend themselves more to non-industrial use. ((6))

In Providence, the mill building market is seen as more suited for high-tech computer and Internet ("dot com") companies, especially in the downtown area. Because Providence is the center of a metropolitan area, mills there are more in demand for office space than traditional industrial uses (e.g., manufacturing). In fact, not many manufacturing companies appear to be interested in mill buildings in Providence. Most interest for mill space is in fact coming from the "dot coms," especially since these companies like the charm of the large, brick-walled rooms of the mills, and the lower rent that Class D office space commands. The city hopes to continue bringing these companies to their mill sites, and "smart" building renovation strategies support that. Since Providence has become very interested in the arts recently, the city also feels that upper-floor mill space would be good for artist lofts or other artistic uses. ((14))

The market for mill buildings in Woonsocket varies. However, the market has, for the most part, been favorable: in the past few years, the inventory of totally vacant mill buildings has gone from 11 to five. Most of the redeveloped mills have gone towards multiple-use projects, usually mixing light manufacturing with retail or other uses. It is harder, however, to get investors for the larger mills because they often present larger costs for rehabilitation and cleanup. The city feels the best option for the vacant mills, especially the larger ones, is a multiple-use setup. ((3))

There appears to be a weaker market for mill space in West Warwick, as not as many companies are looking to locate in that part of the state as, for example, Providence. For this reason, the town has had to take a very pro-active stance in getting companies interested in the mill buildings, working with developers and industries to redevelop them. In addition to the tax incentives offered by the state for mills certified for the rehab/reuse program, the town offers its own tax incentives. The town even invests some of its own money into the assessment and cleanup of environmental contamination in order to make the mill sites more marketable. This strategy has been successful in getting tenants for the mills, and the town plans to continue to help make its mills more marketable and get them occupied. ((10))

Not unexpectedly, a major constraint facing the Town of West Warwick is finding the financing for site cleanup and other improvements to make the sites more marketable. Nevertheless, the town remains committed to redeveloping mill buildings. The town feels almost all its mills are salvageable and have the potential for redevelopment. When looking for tenants, the town is most interested in commercial and industrial use, and not very interested in residential use. ((10))

In Bristol County, the mill building market seems to lend itself more to multiple, compatible uses. The towns would prefer to have a mill occupied by multiple tenants rather than one large company. When American Tourister (which occupied the entire American Tourister Building) went out of business in Warren, it really hurt the local economy, which is still

recovering from the blow. For this reason, the towns feel that there is too much risk in targeting a single company for each of its mill buildings. The more prudent approach seems to be multiple use; with many different tenants in a building, if one company goes out of business, most of the building remains occupied. Like Providence, Bristol County communities feel that the future of their mill buildings is with high-tech software companies and other office uses. There has been some mill redevelopment for assisted living, but the towns do not feel that there will be any more. ((9))

PART FIVE:
RECOMMENDATIONS AND CONCLUSION

After answering questions about the condition and market for mill space, the individuals interviewed gave recommendations for improving implementation of Rhode Island's mill building and related legislation. These recommendations were meant to give state policymakers some suggestions for future actions for dealing with vacant or underutilized mill buildings.

Public Sector Recommendations

1) Be realistic.

Although the state hopes that available mill space will go primarily to industrial reuse, policymakers and program managers need to be open-minded about other uses that maybe more practical. Many local officials believe it is better having these sites back on the tax rolls than leaving them unoccupied indefinitely while looking for industrial tenants. While mills generally have historic and cultural value, demolition unfortunately might be the only option for reusing a site – for example, in those situations where the buildings are in such bad shape that nobody is willing to invest the money to rehabilitate them. In such cases the economic value of the land beneath the mill may be higher than the historic or cultural value of the building. If the mill is left standing, it would only continue to deteriorate and the land remain unused. ((2, 9))

2) Look at mill space on a site-by-site basis.

Broad generalizations cannot be made about mill buildings in Rhode Island, given the wide variance in mill condition and market. The potential for reuse must be looked at on a site-by-site basis because each mill has its own set of conditions, which may lend it to certain uses and not others. ((2, 3, 11))

Again, there may be no alternative but to raze a structure and build anew to preserve the location for industrial use. ((19))

3) Take a more pro-active stance.

The state should follow West Warwick's example and actively work with developers and prospective tenants to try to get mill sites occupied. Investors have many concerns about mill buildings and these concerns need to be addressed to attract more companies to mill space. ((2, 7, 10, 11, 14))

4) Offer more tax incentives.

The tax incentives presently offered for redeveloping mill buildings are not really enough to attract companies to mill sites. Considering the risks companies take when investing in mill buildings, more incentives should be available to get investors interested. For mills in very bad condition, larger incentives need to be offered. ((2, 3, 4, 6, 11, 14))

5) Be strategic.

Redevelopment assistance programs should be targeted to mill buildings with the most potential. Working with developers and local planners, the state then needs to choose best options for these sites. ((2, 11))

6) Be creative.

The state should also be open to multiple-occupant setups spanning various uses. These uses could be tied together so that companies within a building could provide goods or services for other companies in the building. A good idea would be to have members of the community around the mill come together and brainstorm ideas for reusing the mill. Then developers could look at these ideas and determine their feasibility. This would be a good way of getting workers and neighbors involved in deriving creative and beneficial reuse strategies. ((14))

7) Be more receptive to and assist in the rehabilitation projects of individual cities and towns.

This applies particularly but not exclusively to the Town of West Warwick, which has initiated quite a bit of mill redevelopment on its own. Funding these projects has been a big problem, without much help, the town claims, from the state. West Warwick asks that the state be more receptive to local ideas and provide a little bit of funding to assist the effort. In this way the state can become an active partner with the communities to get vacant mill sites re-occupied. ((10))

Private Sector Recommendations

1) Offer more tax incentives.

Like the contacts in the public sector, private sector interviewees feel that the tax incentives presently offered for rehab and reuse fall short of their mark. Although they are a definite plus if a company already intends to move into a certified mill building, the incentives are not enough to initiate interest in the property. Also, the state should be willing to offer more incentives for buildings that are in worse condition but still can be rehabilitated. ((12, 13))

2) Be less restrictive with certification of mill buildings.

The criteria for mill building certification are too restrictive, making it hard for many mills to receive tax credits. The criteria should be relaxed a little if the state really wants to get people to invest in the redevelopment of mills.[5] ((13))

3) Communicate with the private sector.

One of the reasons there has not been much significant rehabilitation of mill space might be because people do not know about the tax incentives offered. For this reason, the state should let people in the private sector know about the rehab/reuse program. The state should especially talk to the real estate brokers who market the sites so they can relay the information about the programs to prospective investors. ((13))

Conclusion

Although it is true that generalizations are difficult about mill buildings in Rhode Island, there still appears to be vacant mill space with good potential for redevelopment. Due to a strong economy driving the industrial real estate market, and a shortage of undeveloped prime industrial land, there is a demand for mill buildings. Therefore, the state should continue to promote their reuse. To implement this policy, the state should consider the recommendations given in this report.

Of the many recommendations, the one that seems most important and that many interviewees stressed is that the state should be more pro-active in promoting the resource. The state needs to collaborate with the cities and towns to market mill sites to developers and prospective tenants. In some cases, the state could finance environmental cleanup to make mill buildings more marketable. The R.I. Economic Development Corporation's Brownfields Cleanup Revolving Loan Fund is a good start.

Because mill properties have different physical and locational attributes, access to utilities, etc., it is worthwhile to maintain a site inventory to help match them with perspective tenants. A "bottom-up" approach may be the most effective, with cities and towns – likely to be the most familiar with these properties – drawing up their own inventories and sharing the information with regional economic development organizations and the EDC. The City of East Providence, for example, maintains its own inventory denoting building size, available space, parking, utilities, and other characteristics (see Appendix C). Going a step further, a regional organization, New England Economic Development Services, has an inventory spanning several communities but with a concentration in northern Rhode Island.

[5] The criteria for certification are outlined in the legislation (see Appendix A). Before new criteria for certifying mill buildings are considered, the state will likely have to amend the legislation to extend the deadline for nominating certifiable buildings.

Of course, keeping track of the area's industrial real estate market and regular and frequent updating are essential for any site inventory. This will require dedicating an adequate amount of staff time within the responsible agency or organization. The state should consider supporting the maintenance of local or regional mill building inventories through some form of financial assistance, in return for access to the information for the purposes of recruiting or retaining industries. This could also present an opportunity for better coordination of rehab and reuse efforts throughout Rhode Island.

Once the regional inventories are assembled, it would be desirable to have a statewide mechanism for "one-stop shopping" to match mill properties with potential clients, assess environmental liabilities, and assist in acquiring necessary permits and financial assistance. Once the EDC has the access to the regional inventories, it seems appropriate and well within the agency's purview to be responsible for this.

While mill building redevelopment has obvious economic value, the mill buildings themselves contribute significantly to the historic character of the state. Appropriate reuse that increases their economic value seems the best strategy for saving them from destruction. Mill buildings can satisfy urban redevelopment and smart growth policies, provide low-cost "smart" building space for growing companies in the New Economy, and ease development pressure on greenfields. For all these reasons, they can be an effective bridge between Rhode Island's past and its future.

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